

Message Text

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43

ACTION EB-11

INFO OCT-01 EA-11 ADP-00 AID-20 CIAE-00 COME-00 FRB-02

INR-09 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 SAL-01 OMB-01 SS-14 NSC-10 L-03 H-02

DODE-00 PA-03 USIA-12 PRS-01 RSR-01 /131 W

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R 130750 Z MAR 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2312

UNCLAS TOKYO 2927

E. O. 11652: N/A

TAGS: PINT JA EFIN

SUBJECT: PRESS REPORTS - GOJ RESPONSES IN DIET ON
MONETARY SITUATION

STATE PASS TO TREASURY

1. PRIMIN TANAKA, IN RESPONSE TO QUESTION BY
SABURO SAKAMOTO (DSP) IN LOWER HOUSE BUDGET COMMITTEE
HEARING MARCH 10 STATED THAT HE CERTAIN USG WOULD
TAKE SOME STEP TO RESTORE PARTIAL CONVERTIBILITY OF
DOLLAR AT SOME POINT IN FUTURE. LATER IN SESSION, HE ALSO
SAID THAT WASHINGTON WOULD ASK AS QUID PRO QUO THAT
LEADING INDUSTRIAL NATIONS COOPERATE TO SAFEGUARD
DOLLAR' S POSITION AS KEY CURRENCY, BUT DID NOT
ELABORATE FURTHER.

2. IN SAME SESSION, FINMIN AICHI SUPPLEMENTED
PRIMIN REPLY, SAYING THAT HE, TOO, EXPECTED SOME
INTERIM STEP IN FUTURE BY USG TO RESTORE PARTIAL CONVERTIBILITY,
ADDING TQT HE CONSIDERS RESTORATION OF FULL CON-
VERTIBILITY BY USG TOO DIFFICULT NOW. HE SUPPORTED
ULTIMATE DESIRABILITY OF RESTORATION OF FULL CON-
VERTIBILITY, BUT ALSO STATED THAT DOLLAR SHOULD
BEHAVE IN MANNER BEFITTING ITS POSITION AS STANDARD
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CURRENCY OF WORLD BEFORE IT REGAINS SUCH STATUS.

3. IN RESPONSE TO SAKAMOTO QUESTION ON ESTIMATE OF AMOUNT OF DOLLARS QTE WANTONLY SCATTERED ABROAD UNQTE BY USG SINCE AUGUST 15, 1971, TAIZO HAYASHI (MOF, DIRGEN INTL FINANCE BUREAU) GAVE PARTIAL FIGURE OF \$11 BILLION BETWEEN JULY- SEPTEMBER 1971 (BASED ON AMERICAN INTERNATIONAL OBLIGATIONS TO FOREIGN OFFICIAL AGENCIES OF \$34 BILLION AT END OF JUNE, WHICH INCREASED TO GDRT BILLION AT END OF SEPTEMBER.)

4. MITI NAKASONE TURNED ASIDE QUESTIONER' S SPIRITED SUGGESTION THAT USG SHOULD CONVERT HALF OF DOLLAR RESERVES HELD BY JAPAN AND FRG WITH REPLY THAT MONETARY RELATION AMONG NATIONS NOT LIKE QTE SHOPKEEPER ACCOUNTS UNQTE, BUT ARE COMPLEX MECHANISM, ALSO INVOLVING POLITICAL AND DEFENSE CONSIDERATIONS. HE SAID THAT A NATION' S CREDIBILITY DOES NOT SIMPLY DEPEND ON AMOUNT OF GOLD IT HOLDS. HE STRESSED THAT IT PRESENTLY IN JAPAN' S NATIONAL INTEREST TO HELP DOLLAR RECOVER ITS HEALTH.

5. PRIMIN TANAKA, IN RESPONSE TO QUESTION ON PROPER LEVEL OF FOREIGN EXCHANGE RESERVES FOR JAPAN, SAID THAT CURRENT SURPLUS OF \$20 BILLION TOO BIG EXPLAINING THAT DISBURBANCE OF INTERNATIONAL LIQUIDITY AND MONETARY DIFFICULTIES FOR LDC' S RESULT WHEN ANY ONE NATION HOLDS EXCESSIVE RESERVES. HE SAID THAT PROPER LEVEL FOR JAPAN WOULD BE ABOUT \$10 BILLION, WHICH BASED ON EQUIVALENT OF SUM OF JAPAN' S CURRENT THREE MONTH TRADE SURPLUS (\$7 BILLION) AND ONE- THIRD OF JAPAN' S OUTSTANDING FOREIGN BOND LIABILITIES (\$9 BILLION), EXCLUDING TWO- THIRDS REDEEMABLE IN NEAR FUTURE. INGERSOLL

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